



FEDERAL RESERVE SYSTEM

12 CFR Part 204

[Docket No. OP – 1440]

Payment System Risk Policy; Daylight Overdraft Posting Rules

AGENCY: Board of Governors of the Federal Reserve System.

ACTION: Policy Statement.

SUMMARY: The Board of Governors of the Federal Reserve System (Board) has revised its Policy on Payment System Risk (PSR Policy) to modify the posting rules to conform with procedural changes to the redemption of separately-sorted savings bonds and to eliminate a reference to the contractual clearing balance program.

EFFECTIVE DATE: The PSR Policy revisions concerning separately-sorted savings bond redemptions will take effect on April 11, 2012. Revisions related to the elimination of the contractual clearing balance program are effective July 12, 2012.

FOR FURTHER INFORMATION CONTACT: Susan V. Foley, Associate Director, (202/452-3596) or Jeffrey D. Walker, Manager, Financial Risk Management, (202/721-4559), Division of Reserve Bank Operations and Payment Systems. For users of Telecommunications Device for the Deaf (TDD) only, please call 202/263-4869.

SUPPLEMENTARY INFORMATION:

I. Background

Posting Rules for Separately-Sorted Savings Bond Redemptions

The Board's PSR Policy measures depository institutions' intraday account balances according to a set of "posting rules" that determine the intraday timing of debits and credits to institutions' Federal Reserve accounts for different payment types. Posting rules currently

specify that EZ-Clear savings bond redemptions in separately-sorted deposits will post at 8:30 a.m. Eastern time or 5 p.m. Eastern time, depending on the deposit time.

As announced by the Department of the Treasury on March 20, 2012 (77 FR 16165), effective April 11, 2012, Treasury is changing the procedures for financial institutions to transmit and receive settlement for redeemed definitive (paper) savings securities (savings bonds and savings notes) from the EZ-Clear system to an image-based securities process through the Federal Reserve Banks, and the EZ-Clear program will be decommissioned following the transition. The Reserve Banks will begin accepting redeemed savings bonds as electronic images on Monday, April 16, 2012. The Federal Reserve Bank of Atlanta will accept deposits of redeemed savings bonds in paper form, but the processing of the bonds will no longer be based on the EZ-Clear system. The posting rules for separately-sorted savings bond redemptions remain unchanged, except that references to the EZ-Clear system have been removed from the PSR Policy.

Reference to the Contractual Clearing Balance Program

Under the PSR Policy, each Reserve Bank has the right to protect its risk exposure from individual institutions by unilaterally imposing risk-control measures, including requiring an institution to maintain balances under the contractual clearing balance program.¹ The Board, however, is amending Regulation D to eliminate the contractual clearing balance program on July 12, 2012.² To conform to this amendment to Regulation D, the reference to clearing-balance requirements is being removed from the PSR policy. Instead, the PSR policy will reference the right of a Reserve Bank to impose balance requirements. Depository institutions

¹ A contractual clearing balance is an amount that an institution contracts to maintain with a Reserve Bank in addition to any reserve balance requirement.

² 77 FR 21846 (April 12, 2012).

may be eligible to earn interest on these required balances held in their Federal Reserve accounts.³

Policy on Payment System Risk

The Federal Reserve Policy on Payment System Risk, Section II.A. under the heading “Procedures for Measuring Daylight Overdrafts” and the subheadings “Post at 8:30 a.m. Eastern time” and “Post at 5:00 p.m. Eastern time” is amended with changes as indicated in *italics*.

Procedures for measuring daylight overdrafts⁴

Post at 8:30 a.m. Eastern time:

- +/- Term deposit maturities and accrued interest
- +/- Government and commercial ACH credit transactions⁵
- + Treasury Electronic Federal Tax Payment System (EFTPS) investments from ACH credit transactions
- + Advance-notice Treasury investments
- + *Treasury checks, postal money orders, local Federal Reserve Bank checks, and savings bond redemptions in separately sorted deposits; these items must be deposited by 12:01 a.m. local time or the local deposit deadline, whichever is later.*
- Penalty assessments for tax payments from the Treasury Investment Program (TIP).⁶

³ 73 FR 59482 (October 9, 2008).

⁴ This schedule of posting rules does not affect the overdraft restrictions and overdraft-measurement provisions for nonbank banks established by the Competitive Equality Banking Act of 1987 and the Board's Regulation Y (12 CFR § 225.52).

⁵ Institutions that are monitored in real time must fund the total amount of their commercial ACH credit originations in order for the transactions to be processed. If the Federal Reserve receives commercial ACH credit transactions from institutions monitored in real time after the scheduled close of the Fedwire Funds Service, these transactions will be processed at 12:30 a.m. the next business day, or by the ACH deposit deadline, whichever is earlier. The Account Balance Monitoring System provides intraday account information to the Reserve Banks and institutions and is used primarily to give authorized Reserve Bank personnel a mechanism to control and monitor account activity for selected institutions. For more information on ACH transaction processing, refer to the ACH Settlement Day Finality Guide available through the Federal Reserve Financial Services website at <http://www.frb services.org>.

Post at 5:00 p.m. Eastern time:

- +/- FedACH SameDay service transactions
- + *Treasury checks, postal money orders, and savings bond redemptions in separately sorted deposits; these items must be deposited by 4:00 p.m. Eastern time*
- + Local Federal Reserve Bank checks; these items must be presented before 3:00 p.m. Eastern time
- +/- Immediate-settlement ACH transactions; these transactions include ACH return items and check-truncation items.

Additionally, in the Federal Reserve Policy on Payment System Risk, Section II.G.1 under the subheading “Ex post,” the phrase “clearing-balance requirements” will be replaced with “balance requirements.” The new sentence will read “Each Reserve Bank retains the right to protect its risk exposure from individual institutions by unilaterally reducing net debit caps, imposing (additional) collateralization or balance requirements, rejecting or delaying certain transactions as described below, or, in extreme cases, taking the institution offline or prohibiting it from using Fedwire.”

By order of the Board of Governors of the Federal Reserve System, April 12, 2012.

Jennifer J. Johnson,
Secretary of the Board.

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⁶ The Reserve Banks will identify and notify institutions with Treasury-authorized penalties on Thursdays. In the event that Thursday is a holiday, the Reserve Banks will identify and notify institutions with Treasury-authorized penalties on the following business day. Penalties will then be posted on the business day following notification.